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Supreme Court of the United States

OCTOBER TERM, 1958

No. 882

MORGENSTERN CHEMICAL CO., INC.,

Petitioner,

against

G. D. SEARLE & CO.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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INDEX

Petition	Page
Opinions Below	1
Jurisdiction	2
Questions Presented	2
Statutes Involved	3
Statement of the Case	3
Reasons for Granting the Writ	5
Conclusion	9

Appendix

District Court's Opinion on Remand	10
District Court's Judgment After Remand (Insofar as material)	10
Opinion and Decision of Court of Appeals (262 F. 2d 592)	11
Judgment of the Court of Appeal	12
Earlier Opinion and Decision of Court of Appeals (253 F. 2d 390)	12

Table of Cases

Admiral Corp. v. Penco, Inc., 203 F. 2d 517 (2d Cir. 1953)	8
Aladdin Manufacturing Co. v. Mantle Lamp Co., 116 F. 2d 708, 717 (7th Cir. 1941), c. d. 296 U. S. 639	8
Blum et al. v. William Goldman Theatres, 164 F. 2d 192 (3rd Cir. 1947)	8
Century Distilling Co. v. Continental Distilling Corp., 205 F. 2d 140 (3rd Cir. 1953)	5, 8

PAGE

Francis H. Leggett & Co. v. Premier Packing Co., Inc., 140 F. Sup. 328 (D. C. Mass., 1956) 8

Kansas City Southern Railway v. Guardian Trust Co., 281 U. S. 1 (1930) 4, 6, 7

Keller Products Inc. v. Rubber Linings Corp., 213 F. 2d 382 (7th Cir. 1954) 8

McDonald v. Winfield Corp., 93 F. Sup. 153 (D. C. E. D., Pa., 1950), also 109 F. Sup. 923 (1952) ... 9

Morgenstern Chemical Co., Inc. v. G. D. Searle & Co., 150 F. Sup. 726 (D. C., N. J., 1957) 3

id. 253 F. 2d 390 (3rd Cir. 1958) 3

id. 79 S. C. 25, 3 L. ed. 2d 58 5

National Dryer Mfg. Corp. v. National Drying Machine Co., 228 F. 2d 349 (3rd Cir. 1955) 8

National Van Lines v. Dean, 237 F. 2d 688 (9th Cir. 1956) 8

Reconstruction Finance Corporation v. J. G. Menihan Corp., 312 U. S. 81 (1941), aff'g 111 F. 2d 940 (2nd Cir.) 6, 7, 8

Scott v. Donald, 165 U. S. 58 (1897) 9

Spiegel v. Evergreen Cemetery Co., 117 N. J. L. 90, 186A. 585 (1936) 9

Sprague v. Ticonic Bank, 307 U. S. 161 (1939) 6, 7

Wendelken v. Stone, 88 N. J. L. 267, 86A. 376 (1913) 9

Youthform Co. v. R. H. Macy, Inc., 153 F. Sup. 87 (D. C., N. D., Ga., 1957) 8

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MORGENSTERN CHEMICAL CO., INC.,

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against

G. D. SEARLE & CO.,

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioner prays that, in this action for common-law trade-mark infringement, a writ of certiorari issue to the United States Court of Appeals for the Third Circuit for the review of its judgment entered February 6, 1959, which, on an appeal from so much of a judgment of the United States District Court for the District of New Jersey entered June 4, 1958 as denied to plaintiff exemplary damages and attorney's fees, affirmed that judgment.

Opinions Below

The opinion of the District Court denying "plaintiff's application for the inclusion of counsel fees in its costs" and holding that "the award of punitive damages to the plaintiff in this case" was precluded, is unreported and is printed on page 10, *infra* (See also Transcript of Record, p. 8a).*

* All subsequent numeral references, when not otherwise indicated, are to page numbers of the Certified Transcript of Record. The numerals followed by "a" refer to pages in the "Plaintiff-Appellant's Appendix." The numerals followed by "b" refer to pages in the "Appendix Of Defendant-Appellee."

The opinion of the Court of Appeals (p. 11, *infra*) is reported in 262 F. 2d 592. It was a brief *per curiam* reading:

> "Upon review of the record we find no error. The judgment of the District Court will be affirmed."

The above referred to opinions followed an earlier appeal which resulted in an opinion and decision reported in 253 F. 2d 390 (and reprinted at pages 12-19, *infra*) which reversed the District Court's denial of an injunction in an opinion reported in 150 F. Sup. 726.

Jurisdiction

The judgment of the Court of Appeals was made and entered February 6, 1959.

The jurisdiction of this court is invoked under 28 U. S. C. 1254 (1). The petition is filed within the time prescribed by 28 U. S. C. 2101 (c).

The basis for Federal jurisdiction in the court of first instance, the United States District Court for the District of New Jersey, was diversity of citizenship, 28 U. S. C. 1332.

Questions Presented

In a toughly contested action for the infringement of a common law trade mark in which the complaint demands judgment of injunction and for an accounting of profits and "such compensatory and exemplary damages as may be just, together with the costs . . . and attorney's fees" and where (a) the court finds deliberate and wilful infringement and grants an appropriate injunction but denies an accounting because the products were "not competitive" and because there was no "palming off",

and (b) the injunction thus granted comes (not due to lack of diligence on plaintiff's part) after three and a half years of profitable wilful infringement:

(1) is not the plaintiff entitled to recover from the defendant the attorney's fees incurred in its action?

(2) is not the plaintiff entitled to exemplary damages?

(3) are United States courts without power to award such counsel fees and/or exemplary damages?

The Statutes Involved

The case rests exclusively on equity and common law principles. No statute is involved other than the jurisdictional provisions above referred to.

Statement of the Case

This case was commenced in the United States District Court for the District of New Jersey on March 28, 1956.

On March 12, 1958, the Court of Appeals for the Third Circuit, in a decision and opinion reported in 253 F. 2d 390 (pp. 12-19, *infra*), (a) affirmed the determination of the District Court, 150 F. Supp. 726, that the defendant, in its sale of pharmaceutical tablets, had *wilfully and calculatedly* adopted a trade mark which, on its face, was confusingly similar to the common law trade name owned and used by the plaintiff, (b) reversed the District Court's dismissal of the plaintiff's complaint on the holding that the plaintiff was in no position to complain because the extraordinary care and expertness of those who prescribe and dispense pharmaceuticals preclude confusion, and (c) remanded the cause to the District Court "with directions to grant an injunction but to deny an accounting of profits".

In its opinion and decision, the Court of Appeals expressed its agreement with the District Court that defendant adopted the name Mictine "*with full knowledge of plaintiff's prior use* of the name Micturin" and that in so doing defendant "trod a very narrow course".

According to the evidence at the trial, in the first two years (or so) of its marketing of its tablets "Mictine"—up to November 27, 1956 (to which date defendant had furnished the information)—defendant sold 30,000,000 of those tablets.

Following its decision, plaintiff moved in the Court of Appeals for the amendment of its judgment to add a direction "to grant such damages (compensatory, exemplary and/or punitive) and/or including attorney's fees, and expenses and costs, including costs as between solicitor and client, as may be just" (16b-18b). That motion was denied on March 27, 1958, without any opinion or other comment (22b).

Thereupon a mandate issued to the District Court to take such proceedings "in conformity with the opinion and judgment of this court, as according to right and justice and the laws of the United States, ought to be had, the said appeal notwithstanding" (23b).

In the proceedings which followed the remand, plaintiff moved, among other things, for the assessment and award to the plaintiff against the defendant of exemplary damages and of the fees and expenses of the plaintiff's attorney, as such and as damages, in such sums as to the court may seem just and fair (3a-8a).

The District Court, in a memorandum dated May 5, 1958 (8a; p. 10, *infra*) denied the "application for the inclusion of counsel fees in its costs" "upon the precedent of *Kansas City Southern Railway* v. *Guardian Trust Co.*, 281 U. S. 1," and denied punitive damages because it

deemed the same precluded by "the opinion of the Court of Appeals in this case, when interpret d in the light of the views expressed by that court in *Century Distilling Co.* v. *Continental Distilling Corp.*, 205 F. 2d 140".

The plaintiff prosecuted a timely appeal from so much of the judgment (9a, 24b-26b; pp. 10-11, *infra*) as denied counsel fees and exemplary damages, which resulted in the *per curiam* affirmance quoted above.

During the pendency of that appeal, the plaintiff, on June 9, 1958, believing that the Court of Appeals had erred in denying an accounting of profits, filed a petition in this Court for a writ of certiorari to review that denial and, incidentally, also the denial of the motion to amend. Defendant's opposition to that petition included the contention that this Court lacked jurisdiction to entertain the application. The petition was denied by this Court on October 13, 1958, without any memorandum or comment (79 S. C. 25, 3 L. ed. 2d 58).

This petition, unlike the one of June, 1958, does not seek a review of the denial of an accounting for profits. It seeks a review only of the denial of the relief sought in the proceedings following the remand by the Court of Appeals to the District Court, that is, the denial of attorney's fees and exemplary damages. In respect to those items, the previous petition to this Court, it is believed, was premature. They were included only on the hypothesis that if review were granted of the denial of an accounting, all other questions of appropriate monetary relief should be reviewed at the same time.

Reasons for Granting the Applied for Writ

1. The infringement having been *deliberate, wilful, calculated* and over plaintiff's explicit and continuous protest, *the denial of all monetary redress* for defendant's over

3½ years of profitable tortious appropriation and utilization (until enjoined from continuing to do so) of plaintiff's trade name, is inconsistent with and contrary to the accepted and usual course of judicial proceedings both in law and in equity and presents a conflict among the Circuits.

Petitioner sued not only for the injunction and for an accounting of profits but also for "such compensatory and exemplary damages as may be just, together with the costs of this action and attorney's fees." The effect of adding to the denial of defendant's profits denial also of attorney's fees and of any type of damages, is to allow a *deliberate* tort-feasor to retain all the fruits of its *wilful misappropriation* without any compensation to the owner and, to boot, compel the latter even to bear the cost of the litigation which it had to incur to halt the wrongdoing.

This shocking result was arrived at by the District Court not in the belief that such was the requirement of justice or the exercise of judicial discretion. It denied monetary redress (of any kind other than statutory costs) because it felt compelled so to do by lack of power to do otherwise. As to attorney's fees, it held—*erroneously*, we submit (see below)— that those were ruled out by *Kansas City Southern Railway* v. *Guardian Trust Co.*, 281 U. S. 1 (1930), *notwithstanding Sprague* v. *Ticonic Bank*, 307 U. S. 161, 165-9 (1939) and *Reconstruction Finance Corporation* v. *J. G. Menihan Corp.*, 312 U. S. 81 (1941). As to exemplary damages, it felt precluded by precedents laid down by the Court of Appeals for the Third Circuit.

The Court of Appeals' affirmance indicates an acceptance of that view of the law. Thereby it established a *conflict among the Circuits* as to the proper application of this Court's decisions in respect to attorney's fees and as to what is the proper rule in respect to exemplary damages.

2. As to the plaintiff's attorney's fees, this Court in *Sprague* v. *Ticonic Bank*, 307 U. S. 161, 165-9 (1939), said that United States courts of equity have a wide discretion in awarding or denying to the prevailing party not only costs "between party and party" but also "costs as between solicitor and client." And in the infringement suit of *Reconstruction Finance Corporation* v. *J. G. Menihan Corp.*, 312 U. S. 81 (1941), this Court, in affirming the holding of the Court of Appeals for the Second Circuit (117 F. 2d 940), that there existed power to assess the successful defendant's counsel fee expenses against the plaintiff who had put the defendant to that expense, said that "sound equity practice" in the United States courts included the power to award counsel fees to a successful litigant, such allowance being one of the "natural and appropriate incidents of legal proceedings" (p. 85).

The earlier case of *Kansas City Southern Railway* v. *Guardian Trust Co.*, 281 U. S. 1 (1930), cited by the District Court, is not to the contrary. In that case, recovery of counsel fees was not sought by the plaintiff; after decision in plaintiff's favor, stockholders of the plaintiff intervened to suggest that the defendant's litigation was "instigated and prosecuted . . . without good faith, and that the entire litigation was trivial, wanton and oppressive", and on that ground asked the Court to hold that the plaintiff was entitled to recover from the defendant all of its litigation expenses and either to direct their award or reserve to the plaintiff the right to sue therefor in a new action. That application was denied, and a decree was directed to be entered in favor of the plaintiff with "costs". That decree was affirmed by this Court on an appeal which did not challenge the correctness of the denial of the requested relief as to the plaintiff's litigation expenses. It was in those circumstances that this Court reversed the subsequent inclusion in the decree of $296,520.37 of attorney's fees and expenses on the *extraneous* ground

that defendant had litigated in bad faith and wantonly, an "issue" which had not "been framed" and a "charge" which was not "suggested until after the filing of the first opinion" (p. 10). The total non-applicability of that case is made still clearer by the further statement in the opinion that whether "federal equity courts have jurisdiction to allow costs as between solicitor and client to include therein attorney's fees . . ., we express no opinion" (pp. 9-10). On that point, this Court subsequently declared the law very firmly in the *Sprague* and *Reconstruction Finance Corp.* cases, mentioned above.

In infringement cases, in *three* Circuits other than the Third, successful parties have been awarded their attorneys' fees in: *Aladdin Manufacturing Co.* v. *Mantle Lamp Co.* (7th Cir. 1941), 116 F. 2d 708, 717, c. d. 296 U. S. 639; *Keller Products Inc.* v. *Rubber Linings Corp.* (7th Cir. 1954), 213 F. 2d 382; *Admiral Corp.* v. *Penco Inc.* (2d Cir. 1953), 203 F. 2d 517; *Reconstruction Finance Corporation* v. *J. G. Menihan Corp., supra* (2d Cir. 1939); *National Van Lines* v. *Dean* (9th Cir. 1956), 237 F. 2d 688; also by several District Courts (*Francis H. Legget & Co.* v. *Premier Packing Co., Inc.*, 140 F. Sup. 328, D. C. Mass., 1956; *Youthform Co.* v. *R. H. Macy, Inc.*, 153 F. Sup. 87, D. C. N. D., Ga. 1957).

On the other hand, the Third Circuit Court of Appeals denied attorneys' fees in *Century Distilling Co.* v. *Continental Distilling Corp.*, 205 F. 2d 140, 1953; *National Dryer Mfg. Corp.* v. *National Drying Machine Co.*, 228 F. 2d 349, 1955; and the case at bar; also cf. *Blum et al.* v. *William Goldman Theatres*, 164 F. 2d 192, 1947.

3. The denial of exemplary damages is in conflict with *Aladdin* v. *Mantle Lamp Co., supra*, and *Keller Products Inc.* v. *Rubber Linings Corp.*, 213 F. 2d 382, 387-8, both in the Seventh Circuit. That exemplary damages, in addition to or in the absence of legally provable compensatory damages, is a well settled device of the common law to

redress wilful tort was recognized by this Court in *Scott* v. *Donald*, 165 U. S. 58, 86-89. The courts of New Jersey subscribe to that principle (*Wendelken* v. *Stone*, 88 N. J. L. 267, 86A, 376, 1913; *Spiegel* v. *Evergreen Cemetery Co.*, 117 N. J. L. 90, 94-5, 186A, 585, 1936). See also *McDonald* v. *Winfield Corp.*, 93 F. Sup. 153 (D. C. E. D., Pa., 1950, also 109 F. Sup. 923, 1952).

CONCLUSION

It is respectfully submitted that this petition should be granted.

Respectfully submitted,

COPAL MINTZ,
Attorney for Petitioner.

April 30, 1959.

APPENDIX

District Court's Opinion on Remand.

(By Reynier J. Wortendyke, Jr., D. J.)

(Filed May 5, 1958.)

Upon the precedent of *Kansas City Southern Railway* v. *Guardian Trust Co.*, 281 U. S. 1, I have decided to deny plaintiff's application for the inclusion of counsel fees in its costs.

I construe the opinion of the Court of Appeals in this case, when interpreted in the light of the views expressed by that Court in *Century Distilling Co.* v. *Continental Distilling Corp.*, 205 F. 2d 140, as precluding the award of punitive damages to the plaintiff in this case.

I have considered the respective drafts of injunction decree submitted by each of the parties hereto, and have embodied the directive of the mandate of the Court of Appeals in my decree filed this date, a copy of which is enclosed herewith for your information.

District Court's Judgment After Remand in so far as Material.

[TITLE]

This cause came on to be heard and considered on remand by the United States Court of Appeals for the Third Circuit pursuant to its mandate dated March 28, 1958, filed in this court on March 31, 1958, and on the application of the plaintiff for the assessment and award of damages, and/or including, attorney's fees besides costs.

On consideration thereof and after hearing counsel for the respective parties, it is hereby

ORDERED, ADJUDGED and DECREED that:

. . . . . .

7. Plaintiff's application for the assessment and award of damages and, or including, attorney's fees is hereby denied; but plaintiff shall recover from defendant and have execution for plaintiff's costs in this Court to be taxed as provided in 28 U. S. C. § 1920.

Dated: May 5, 1958.

REYNIER J. WORTENDYKE, JR.,
Judge, United States District Court.

Opinion and Decision of Court of Appeals.

(Filed February 6, 1959)

[262 F. 2d 592]

[TITLE]

Argued January 22, 1959

Before KALODNER and HASTIE, Circuit Judges and EGAN, District Judge.

PER CURIAM:

Upon review of the record we find no error. The judgment of the District Court will be affirmed.

Judgment of Court of Appeals.

[TITLE]

Present: KALODNER and HASTIE, Circuit Judges, and EGAN, District Judge.

This cause came on to be heard on the record from the United States District Court for the District of New Jersey and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court in this case be, and the same is hereby affirmed, with costs.

Attest:

IDA O. CRESKOFF,
Clerk.

February 6, 1959.

Opinion and Decision of the Court of Appeals Granting Injunction.

(Filed March 12, 1958; Reported in 253 F. 2d 390.)

[TITLE]

Argued January 8, 1958

Before MARIS, MCLAUGHLIN and STALEY, *Circuit Judges*.

By MARIS, *Circuit Judge*:

The plaintiff, Morgenstern Chemical Company, Inc., appeals from the dismissal of its complaint in the District Court for the District of New Jersey and the entry of

judgment in favor of the defendant, G. D. Searle & Company, in an action brought to enjoin the defendant from infringing a trade-name belonging to the plaintiff and for an accounting of profits. Jurisdiction rests on the diversity of citizenship of the parties. The facts of the case, which are undisputed, are fully set out in the opinion of the district court. 150 F. Supp. 726. For the purposes of this appeal it is sufficient to state that the plaintiff company, a manufacturer and distributor of pharmaceuticals, started in 1950 to promote and in 1951 to market tablets, under the name Micturin, to be taken orally for the relief of infections in the urinary tract in cases of nephritis, pyelitis, urethritis, cystitis, and prostatitis, which were to be dispensed only upon physicians' prescriptions. The name Micturin was conceived and adopted because it was suggestive of miction (urination) and micturition (the passage of urine), each of which is derived from the Latin micturire, meaning to urinate. The defendant company, also a manufacturer and distributor of pharmaceuticals, in 1954, with full knowledge of plaintiff's prior use of the name Micturin, started to promote and market tablets, under the name Mictine, which were also to be taken orally and dispensed only on physicians' prescriptions, for diuretic therapy in cases of hypertension, congestive heart failure, glomerulonephritis, pyelonephritis, and nephrosis. Both Micturin and Mictine are derived from or based upon the same Latin root and are intended to suggest urination. They are, however, prescribed for radically different conditions and for different uses and desired effects. There was evidence that it was extremely unlikely that a physician would prescribe or a pharmacist dispense the product of one of the parties for the treatment of a condition for which the product of the other was indicated.

The district court found that the plaintiff owned a valid common-law trade-name "Micturin" which was en-

titled to legal protection. However, because the two products are dispensed only upon physicians' prescriptions, the court limited its inquiry to the question whether there was a likelihood of confusion within the specialized group composed of physicians and pharmacists. Upon the evidence, and taking judicial notice of the high standards of care required to be followed in both these fields, the district court concluded that there was no likelihood of confusion between the two names. Nonetheless the court found obvious similarity in derivation, suggestiveness, spelling, and sound in careless pronunciation between Micturin and Mictine as applied to pills to be taken by mouth for therapeutic purposes and stated that if the two names had been employed to designate medicinal tablets designed for the alleviation or cure of the same or closely related human ailments, it would have no difficulty in finding a confusing similarity between them. However, since the pills are not designed for the same ailments, the district court concluded that there was no confusing similarity in the two names and that the plaintiff's trade-name was not infringed. Accordingly, the court refused to enjoin the defendant's use of the trade-name Mictine. The court also found that, since the products were non-competing and the defendant did not seek to palm off its goods as those of the plaintiff, there was no basis in the evidence to support the plaintiff's charge of unfair competition. The complaint was accordingly dismissed with prejudice and judgment was entered for the defendant. 150 F. Supp. 726. This appeal followed.

The plaintiff contends on this appeal that the district court erred in concluding that there was no confusing similarity between the names Micturin and Mictine because they did not designate medicinal tablets for the alleviation or cure of the same or closely related human ailments, and in refusing on this ground to enjoin the defendant's use of the name Mictine.

Appendix

There is no precise formula or rule of law which may be applied mechanically in deciding whether there is an infringement of a trade-mark or name. On the contrary, under the law of New Jersey, which the district court rightly held to be controlling here,[1] each case must be decided on its own facts and circumstances.[2] As the Supreme Court long ago pointed out in McLean v. Fleming, 1877, 96 U. S. 245, 251, "What degree of resemblance is necessary to constitute an infringement is incapable of exact definition, as applicable to all cases. All that courts of justice can do, in that regard, is to say that no trader can adopt a trade-mark, so resembling that of another trader, as that ordinary purchasers, buying with ordinary caution, are likely to be misled." It is, however, settled that the courts will protect a trade-mark owner against poaching by a competitor who seeks to sell his goods as those of another.[3] Moreover the protection to which the owner of a trade-mark or name is entitled is not solely against confusion resulting from the use by another of the same or a similar name for a competing product in the

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[1] It appears that the state and federal decisions are in accord on the issues here involved. Q-Tips, Inc. v. Johnson & Johnson, 3 Cir. 1953, 206 F. 2d 144, 145, cert. den. 346 U. S. 867. While the plaintiff argues that New Jersey law is not applicable to events occurring in other jurisdictions, it has not shown that the law of those other jurisdictions is different, with respect to the problems here presented, from the law of New Jersey or the federal law. Accordingly, that difficult problem in the conflict of laws need not be decided in this case. See Campbell Soup Co. v. Armour & Co., 3 Cir. 1949, 175 F. 2d 795, 796-797.

[2] Goldscheider v. Schnitzer, 1949, 3 N. J. Super. 425, 430, 66 A. 2d 457, 460; 3 Callman, Unfair Competition and Trade-marks, 2nd ed., § 81.1; 1 Nims, Unfair Competition and Trade-Marks, 4th ed., § 22d.

[3] Trade-Mark Cases, 1879, 100 U. S. 82, 92; Hanover Milling Co. v. Metcalf, 1916, 240 U. S. 403, 413; Mishawaka Mfg. Co. v. Kresge Co., 1942, 316 U. S. 203, 205.

same market. For the courts have frequently enjoined the use of a trade-mark or name in related fields whether or not the products were actually similar or competitive.[4] In a suit to enjoin the use of a trade-name, as distinguished from an action for the recovery of damages or profits from its use, it may be equitable as well as in the public interest, under particular circumstances, to enjoin the defendant from using his trade-name although it is not applied to a product which is similar to that to which the plaintiff's name is applied, and even though the defendant does not seek to induce purchasers to buy his goods instead of those of the plaintiff.

In the field of medical products, it is particularly important that great care be taken to prevent any possibility of confusion in the use of trade-marks.[5] The test as to whether or not there is confusing similarity in these products even if prescribed and dispensed only by professionally trained individuals does not hinge on whether or not the medicines are designed for similar ailments. The rule enunciated by Judge Hulen in Cole Chemical Co. v. Cole Laboratories, D. C. Mo. 1954, 118 F. Supp. 612, 616, 617, is applicable here:

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[4] Aunt Jemima Mills Co. v. Rigney Co., 2 Cir., 1917, 247 F. 407, cert. den. 245 U. S. 672; Vogue Co. v. Thompson-Hudson Co., 6 Cir. 1924, 300 F. 509, cert. den. 273 U. S. 706; Rosenberg Bros. & Co. v. Elliott, 3 Cir. 1925, 7 F. 2d 962; Yale Electric Corporation v. Robertson, 2 Cir. 1928, 26 F. 2d 972; Kotabs v. Kotex Co., 3 Cir. 1931, 50 F. 2d 810, cert. den. 284 U. S. 665; L. E. Waterman Co. v. Gordon, 2 Cir. 1934, 72 F. 2d 272; Procter & Gamble Co. v. J. L. Prescott Co., 3 Cir. 1939, 102 F. 2d 773, cert. den. 308 U. S. 557. See Restatement, Torts, §§ 717, 744.

[5] See Campbell Products v. John Wyeth & Bro., 1944, 31 C. C. P. A. 1217, 143 F. 2d 977; Thymo Borine Laboratory v. Winthrop Chemical Co., 1946, 33 C. C. P. A. 1104, 155 F. 2d 402; Van Pelt & Brown v. John Wyeth & Brother, 1947, 34 C. C. P. A. 1033, 161 F. 2d 244.

"Plaintiff and defendant . . . are engaged in the sale of medical preparations. They are for ultimate human consumption or use. . . . They are practically all for ailments of the human body. Confusion in such products can have serious consequences for the patient. Confusion in medicines must be avoided.

. . .

"Prevention of confusion and mistakes in medicines is too vital to be trifled with."

The observations made by Assistant Commissioner Leeds of the Patent Office in R. J. Strasenburgh Co. v. Kenwood Laboratories, Inc. 1955, 106 USPQ 379, 380 are particularly apt, that

"physicians are not immune from confusion or mistake. Furthermore, it is common knowledge that many prescriptions are telephoned to the pharmacist and others are handwritten, and frequently the handwriting is not unmistakably legible. These facts enhance the chances of confusion or mistake by the pharmacist in filling the prescription if the marks appear too much alike when handwritten or sound too much alike when pronounced."

The defendant concedes that physicians and pharmacists are not infallible but urges that the members of these professions are carefully trained to detect differences in the characteristics of pharmaceutical products. While this is doubtless true it does not open the door to the adoption by manufacturers of medicines of trade-marks or names which would be confusingly similar to anyone not exercising such great care. For physicians and pharmacists are human and in common with the rest of mankind are subject to human frailties. In the field of medicinal remedies the courts may not speculate as to whether there

is a probability of confusion between similar names. If there is any possibility of such confusion in the case of medicines public policy requires that the use of the confusingly similar name be enjoined.[6] Indeed, as the plaintiff points out, the district court itself in this case regarded the defendant's right to use the name Mictine as very doubtful. For in its opinion on amendment of judgment the court stated that "the defendant herein trod a very narrow course when it adopted the name Mictine with full knowledge of the prior use of the name Micturin by the plaintiff."

For the reasons which we have stated we hold that the finding of the district court, with which we concur, that there is "obvious similarity in derivation, suggestiveness, spelling, and sound in careless pronunciation, between 'Micturin' and 'Mictine' as applied to pills to be taken by mouth for therapeutic purposes" requires the conclusion, in the circumstances of this case, that the defendant has infringed the rights of the plaintiff in its common-law trade-name Micturin and should be restrained from further doing so. The contention of the defendant that the plaintiff abandoned the name Micturin in 1953 is without support in the record and requires no discussion. Accordingly we conclude that the district court erred in denying the plaintiff injunctive relief.

The plaintiff further contends that the district court erred in denying it an accounting of defendant's profits from the sale of Mictine. The determination of the district court in this regard was based on its findings that there was no actual competition between Micturin and Mictine tablets and that there has been no showing of palming off by the defendant of its product as that of the

[6] See Lambert Pharmacal Co. v. Bolton Chemical Corporation, D. C. N. Y. 1915, 219 F. 325, 326.

plaintiff. Accordingly, the court concluded that the defendant was not guilty of unfair competition.

It does not follow that because a trade-mark owner is entitled to an injunction to prevent future infringement he is ipso facto entitled to an accounting of profits.[7] An accounting will be denied where an injunction will satisfy the equities of the case. Champion Plug Co. v. Sanders, 1947, 331 U. S. 125, 131. Upon consideration of the facts of the present case we are clear that the district court did not err in denying an accounting and that the equities will be fully satisfied by the granting of an injunction against future use of the name Mictine by the defendant.

The judgment of the district court will be reversed and the cause will be remanded with directions to grant an injunction but to deny an accounting of profits.

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[7] McLean v. Fleming, 1877, 96 U. S. 245; The International Silver Co. v. Rogers Corporation, 1904, 66 N. J. Eq. 140, 57 A. 725; Rubber & Celluloid Harness T. Co. v. Rubber-Bound Brush Co., 1912, 81 N. J. Eq. 419, 88 A. 210, affirmed 81 N. J. Eq. 519, 88 A. 213; J. F. Rowley Co. v. Rowley, 3 Cir. 1912, 193 F. 390, 393; Q-Tips, Inc. v. Johnson & Johnson, 3 Cir. 1953, 206 F. 2d 144, 148, cert. den. 346 U. S. 867. See also Restatement, Torts, § 745.

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IN THE

Supreme Court of the United States

No. 882 October Term—1958

MORGENSTERN CHEMICAL COMPANY, INC.,
Petitioner,

vs.

G. D. SEARLE & COMPANY,
Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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TABLE OF CONTENTS

	PAGE
COUNTER-STATEMENT OF QUESTIONS PRESENTED	1
COUNTER-STATEMENT	2
ARGUMENT:	
Point I—The questions raised by this petition have been the subject of an earlier petition, denied on October 13, 1958	3
Point II—The Court of Appeals having held on the petitioner's first appeal that under the equities of the case the petitioner had no right to exemplary damages or counsel fees, that court after reviewing the record a second time, properly affirmed the district court's denial of those extraordinary remedies	4
Point III—There is no conflict of decisions between the Court of Appeals for the Third Circuit Court and any other Court of Appeals	10
CONCLUSION	11

Cases Cited

Admiral Corp. v. Penco, Inc., 203 F. 2d 517 (C. A. 2, 1953)	9
Aladdin Mfg. Co. v. Mantle Lamp Co. of America, 116 F. 2d 708, cert. denied, 296 U. S. 639 (1935)	7, 8
Century Distilling Co. v. Continental Distilling Corp., 205 F. 2d 140 (C. A. 3, 1953)	8, 10
Keller Products v. Rubber Linings Corp., 213 F. 2d. 382 (C. A. 7, 1954)	7, 9

PAGE

Leggett & Co. v. Premier Packing Co., 140 F. Supp. 328 (D. C. Mass., 1956) 9

National Van Lines v. Dean, 237 F. 2d 688 (C. A. 9, 1956) 8, 9

Reconstruction Finance Corporation v. J. G. Menihan Corp., 111 F. 2d 940 (C. A. 2, 1939), aff'd, 312 U. S. 81 (1941) 9

Youth Form Co. v. R. H. Macy, Inc., 153 F. Supp. 87 (D. C., N. D. Ga., 1957) 9

Counter-Statement of Questions Presented

I. Should this Court now grant a writ of certiorari, when, earlier in this term, same was denied as to identical questions of law?

II. Was the Court of Appeals not correct in its two holdings that the equities would be fully satisfied by awarding petitioner an injunction but denying it an accounting, damages and counsel fees?

III. Is there not lacking a conflict of decisions between the courts of appeals concerning the right to damages and counsel fees under the circumstances present here?

Counter-Statement

This Court on October 13, 1958, denied the petitioner's petition (First Petition) for a writ of certiorari. 358 U. S. 816 (1958). That petition (No. 89), filed this term, sought review of the very same questions now presented by this petition (Second Petition).*

The First Petition arose from the following circumstances:

The district court having entered judgment dismissing petitioner's complaint, on appeal the Court of Appeals reversed. Its judgment directed entry of an injunction but denied an accounting (First Petition, p. 37).

Petitioner at once filed a motion in the Court of Appeals to amend said judgment so as to provide for exemplary damages and counsel fees (10b, *et seq.*). This motion was denied (22b) and thereafter mandate issued to the district court to enter an injunction but to deny an accounting of profits (23b).

Notwithstanding the denial of its motion to amend the judgment of the Court of Appeals, petitioner, following issuance of the aforesaid mandate, sought the same relief from the district court as had been sought in said motion, specifically, grant of exemplary damages and counsel fees (First Petition, pp. 10-11; and see pp. 17-18 of Respond-

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* Throughout this Brief references to the record will be:

Pages in the First and Second Petitions for Writ of Certiorari will be designated either (First Petition, p. . .) or (Second Petition, p. . .).

Pages in the Petitioner's Appendix filed in the Court of Appeals and certified in this Court will be designated (. .a).

Pages in this Respondent's Appendix filed in the Court of Appeals and certified in this Court will be designated (. .b).

ent's Brief in opposition to First Petition, No. 89 on this Court's docket).

The district court denied the requested extraordinary relief (First Petition, p. 10) while granting an injunction with costs (24b, *et seq.*); and petitioner filed a Notice of Appeal from said denial (10a). This appeal from the district court's denial of exemplary damages and counsel fees was followed almost immediately by filing of the First Petition for writ of certiorari (No. 89 on this Court's docket) which sought review of the Court of Appeals' denial of an accounting of profits and of that Court's refusal to amend its judgment to give petitioner exemplary damages and counsel fees (27b). Following filing of said petition, proceedings in the Court of Appeals were stayed.

The First Petition was denied on October 13, 1958 (358 U. S. 816).

Thereafter, the stay was vacated in the Court of Appeals and that court proceeded to hear once again petitioner's claim for exemplary damages and counsel fees. Again, said claim was denied, by judgment entered February 6, 1959 (Second Petition, p. 12). This Second Petition is from that denial.

ARGUMENT

POINT I

The questions raised by this petition have been the subject of an earlier petition, denied on October 13, 1958.

That the issues presented by this petition duplicate those raised by Petition No. 89, denied October 13, 1958, is recognized by petitioner (Second Petition, p. 5). Excuse is sought in the argument that the First Petition was "pre-

mature" (Second Petition, p. 5) and, additionally, sought review of the Court of Appeals' denial of its motion for inclusion in the judgment of exemplary damages and counsel fees "only on the hypothesis that if review were granted of the denial of an accounting, all other questions of appropriate monetary relief should be reviewed at the same time." (Second Petition, p. 5)

For guidance here, we look to the First Petition (p. 13fn.), where petitioner stated:

> "• • • [R]eview of the judgment of the Court of Appeals, it is submitted, properly encompasses the review of the disallowance of exemplary damages. Under all the circumstances, it is respectfully submitted further that the review here, if granted, should include also the disallowance of attorney's fees."

Under these circumstances, petitioner has had review twice in the Court of Appeals of its claims for exemplary damages and counsel fees, with the first determination further having been the subject of petition to this Court for writ of certiorari, which petition was denied. In all fairness, therefore, and in the interest of orderly administration of justice, this Second Petition should be denied.

POINT II

The Court of Appeals having held on the petitioner's first appeal that under the equities of the case the petitioner had no right to exemplary damages or counsel fees, that court after reviewing the record a second time, properly affirmed the district court's denial of those extraordinary remedies.

In its first opinion and judgment in this case, the Court of Appeals enjoined the respondent's use of the name "Mictine," stating (First Petition, p. 36):

"• • • If there is *any possibility* of • • • *confusion* in the case of medicines *public policy* requires that the use of the confusing similar name be enjoined • • •." (Emphasis supplied.)

The following additional excerpt from the first opinion of the Court below also demonstrates the rationale of its opinion (Second Petition, p. 16):

"• • • In a suit to enjoin the use of a trade-name, as distinguished from an action for the recovery of damages or profits from its use, it may be equitable as well as in the public interest, under particular circumstances, to enjoin the defendant from using his trade-name although it is not applied to a product which is similar to that to which the plaintiff's name is applied, and even though the defendant does not seek to induce purchasers to buy his goods instead of those of the plaintiff."

Further review of said opinion and the findings of fact in the district court demonstrate additionally why the Court of Appeals, acting within its discretion, decided that the equities of the case demanded no more than that an injunction be entered against the respondent (Second Petition, p. 19):

"It does not follow that because a trademark owner is entitled to an injunction to prevent future infringement he is ipso facto entitled to an accounting of profits. [citations omitted. They are printed at p. 19 of the Second Petition.] An accounting will be denied where an injunction will satisfy the equities of the case. *Champion Plug Co.* v. *Sanders*, 1947, 331 U. S. 125, 131. Upon consideration of the facts of the present case we are clear that the district court did not err in denying an accounting and that the equities will

be fully satisfied by the granting of an injunction against future use of the name Mictine by the defendant."

Petitioner would have this Court believe that the "equities" consisted only of the fact that the two products were non-competitive and for different ailments, and that there was no "palming off" (Second Petition, pp. 2-3).

An examination of the record, however, indicates that the "equities" weighed by the Court of Appeals are far more comprehensive than this. See, for example, the findings of the district court concerning petitioner's destruction of sales records prior to 1955; its total sales figures of $83.92 and $58.37 for 1955 and 1956, respectively; its complete abandonment of promotion of it product in early 1953 (over a year before respondent conceived of the name "Mictine" and almost two years before respondent's first sales under the name "Mictine"); and the obvious differences in design and packaging which would make it clear that there was no "palming off" (First Petition, pp. 18-22).

There is, moreover, completely lacking any contention by petitioner that it lost even one dollar of sales as a result of respondent's use of the word "Mictine." Furthermore, petitioner concedes that respondent never attempted to mislead or confuse the public into thinking that "Mictine" was in fact petitioner's product, "Micturin" (35b).

Finally, there is absolutely no evidence in the record that respondent's sales were in whole or in part made not through the intrinsic worth of its product but rather through the sound or suggestiveness of the name "Mictine." In fact, there is ample evidence to the contrary (290b, 294b, 295b, 336b, 417b, 418b, 419b, 432b).

Having thus examined into the equities of the matter, and having granted an injunction, the Court of Appeals

properly denied the petitioner's motion for punitive damages and counsel fees. This Court, too, correctly refused to issue a writ of certiorari to review that decision.

The required proof for an award of punitive damages is that there not only be fraud and palming off but also that it be particularly outrageous. In *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 116 F. 2d 708, 717, *cert. denied*, 296 U. S. 639 (1935), a trademark infringement case, which the petitioner relies upon (Second Petition, p. 8), the court noted that exemplary damages "* * * are not a favorite in law * * * and are, therefore, to be allowed only with caution and confined within narrow limits." Later, the same court in *Keller Products* v. *Rubber Linings Corp.*, 213 F. 2d 382 (C. A. 7, 1954), which the petitioner also relies upon (Second Petition, p. 8), refused to award exemplary damages to the plaintiff even though the defendant's packaging of its infringing product "Tub Cove" was designed substantially to imitate the plaintiff's package for its product "Tub Kove," even though there was direct competition between the two products, and even though the plaintiff proved that the defendant intended to palm off. The court stated (213 F. 2d 382, 387):

> "In a case of willful and wanton infringement the trial court has discretion to award punitive damages, but such damages should only be awarded in extreme cases, *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 7 Cir. 116 F. 2d 708, 716; such damages 'are not a favorite in law,' Id., 116 F. 2d at page 717. See: *Post* v. *Buck's Stove & Range Co.*, 8 Cir., 200 F. 918, 43 L. R. A., N. S., 498. Here the validity of the mark 'Tub-Kove' and whether any secondary meaning had attached to that mark were close questions. That defendant had used entirely different colors on its package than plaintiff had used was a mitigating considera-

> tion. Although plaintiff is entitled to an injunction, as determined by the trial court, we think it an abuse of discretion to have allowed punitive damages, and the judgment will be modified by eliminating the allowance of $1,500 as punitive damages."

In the case at bar neither the district court nor the Court of Appeals found fraud or palming off on the part of the respondent, nor was there any proof whatsoever that the respondent willfully and wantonly infringed. Indeed, throughout this case the petitioner has conceded that the respondent never intended to nor did take advantage of any good will developed by the petitioner (34b, 35b).

The decision denying the petitioner counsel fees was also correct. In *Century Distilling Co. v. Continental Distilling Corp.*, 205 F. 2d 140 (C. A. 3, 1953), the court found a willful and deliberate use of the confusing name "Dixie Dew" on a product in direct competition with the plaintiff's product, "Dixie Belle," and the district court found that the defendant's conduct was calculated or likely to cause confusion, mistake or deception in the minds of the public. Yet, because there was not fraud by the defendant, the Court of Appeals refused to award counsel fees.

In six of the seven trademark opinions the petitioner relies upon to support its claim for counsel fees (Second Petition, p. 8), there were factors not present here. In one, *Aladdin Mfg. Co. v. Maytle Lamp Co.*, 116 F. 2d 708 (C. A. 7, 1941), *cert. denied*, 296 U. S. 639 (1935), there were facts supporting an award of exemplary damages and the defendant was guilty of willful and fraudulent conduct in the sense that the defendant intended to use the infringing name to cause harm to the plaintiff. In the five other cases, the courts awarded counsel fees because of the defendant's fraud and as part of the compensatory or exemplary damages awarded to the plaintiff. *National Van Lines v. Dean*,

237 F. 2d 688 (C. A. 9, 1956); *Keller Products v. Rubber Linings Corp.*, 213 F. 2d 382 (C. A. 7, 1954); *Admiral Corp. v. Penco, Inc.*, 203 F. 2d 517 (C. A. 2, 1953); *Youth Form Co. v. R. H. Macy, Inc.*, 153 F. Supp. 87 (D. C., N. D. Ga. 1957); *Leggett & Co. v. Premier Packing Co.*, 140 F. Supp. 328 (D. C., Mass. 1956). And in the remaining case the petitioner relies upon, *Reconstruction Finance Corporation v. J. G. Menihan Corp.*, 111 F. 2d 940 (C. A. 2, 1939) aff'd 312 U. S. 81 (1941), the court merely held that the district court had the power to allow "costs and an additional allowance," if it desired to exercise its discretion to do so.

In the case at bar, the Court of Appeals found that the facts did not entitle the petitioner to an accounting of profits and that the equities would be fully satisfied by the granting of an injunction. Moreover, the petitioner did not prove fraud or palming off by the respondent, and the petitioner clearly had no right to compensatory or exemplary damages. As a result, the Court of Appeals correctly decided that the petitioner had no right to counsel fees.

The district court, entering judgment in denying punitive damages and counsel fees, stated (Second Petition, p. 8a):

> "Upon the precedent of *Kansas City Southern Railway v. Guardian Trust Co.*, 281 U. S. 1, I have decided to deny plaintiff's application for the inclusion of counsel fees in its costs.
>
> "I construe the opinion of the Court of Appeals in this case, when interpreted in the light of the views expressed by that Court in *Century Distilling Co. v. Continental Distilling Corp.*, 205 F. 2d 140, as precluding the award of punitive damages to the plaintiff in this case."

The petitioner argues that the district court erred in that it decided it had no power to grant the remedies (Second Petition, p. 6).

As to counsel fees, whether the district court considered and disallowed them on the merits or because it deemed them to be excluded from the "costs" contained in the Court of Appeals' earlier mandate in view of the proceedings in that Court, they properly were denied.

As to the claim for punitive damages, we have heretofore argued that the Court of Appeals, under the petitioner's motion addressed to the judgment, had previously denied that remedy. It would appear, however, that the district court did not follow this theory. Instead, under its opinion, it embarked upon a consideration of the question *on the merits*—did the facts as found (by the district court and the Court of Appeals) considered in the light of the law as laid down by the Court of Appeals in this case and the *Century Distilling* case justify an award of damages?

Thus, there is no basis for arguing as the petitioner does that the district court decided it had no power.

POINT III

There is no conflict of decisions between the Court of Appeals for the Third Circuit Court and any other Court of Appeals.

The petitioner argues that the Court of Appeals' decision has "established a conflict among the circuits as to the proper application of this Court's decisions in respect to attorneys' fees and as to what is the proper rule in respect to exemplary damages" (Second Petition, p. 6). The thrust of the petitioner's argument is that the Court of

Appeals has decided that United States courts of equity have no power to award counsel fees, whereas the cases cited at pages 7-8 of its brief hold that there is such power.

But there is no support whatsoever in the record that the Court of Appeals in this Circuit has taken the view the petitioner attributes to it. As has already been discussed (pages 4, *et seq.*, *supra*), that court did consider the merits of the petitioner's demands, but after weighing the equities, decided not to award counsel fees. The decision was not that the court had no power to award them.

Nor has the Court of Appeals' decision not to award punitive damages caused any conflict of decision with any other courts of appeals. The two cases the petitioner cites at page 8 of its petition in an attempt to demonstrate a *conflict are in accord with the decision below as has* been discussed at pages 7 and 8, *supra*.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the petition for a writ of certiorari should be denied.

Respectfully submitted,

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